## Big drop in business license fees hits city budget

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When it comes to Portland's checkbook, the City Council is doing the same as most households during this recession: Putting the brakes on spending

In the city's case, that means curbing expenses from the general fund that pays for basic services -- police and fire protection, 9-1-1 operators, park and recreation programs and street lighting.

Council members today discussed cutting about \$7 million from the \$315.7 million budget for the current fiscal year ending June 30 in the face of a significant drop in business licensing fees.

Business licenses are the city's most cyclical income source and projections are that they will continue to decline at an unprecedented rate. Worst case: The fee could drop by 25 percent -- a decline of \$18.7 million -- from was projected for the year. Other city revenue appears to be holding steady, officials said.

The city's budget, while diminished, is in a good position to take the hit. Last year, the council set aside \$9.7 million in a rainy day fund. The city has another \$1.9 million in savings from pension bonds. That leaves the council with roughly \$7.15 million to cut.

City officials propose cutting about \$3.6 million in contingency funds. The money had been set aside to hire 28 police officers, buy land for a police training center and remodel part of City Hall. The projects and the hiring are on hold.

That leaves another \$4.1 million that will be cut from city bureau operations. The council will vote on the adjustment in coming weeks. City financial planners have suggested cuts in city bureaus averaging 1.3 percent. No layoffs are necessary as part of that, city officials said.

But the proposed cuts are just an indicator of things to come, and they will have real consequences come July 1, when the new budget year begins. City departments have been asked to cut 2.5 percent to 5 percent in 2009-2010 as the city faces a dour economic forecast.

Read more in tomorrow's Oregonian.

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